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Carolina Telephone
Centel-North Carolina
Centel-Virginia
United Telephone-Southeast

EXECUTIVE SECRETARY

September 2, 1997

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

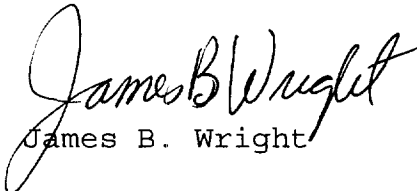
RE: Docket No. 97-00888 (Universal Service)
Sprint Reply Comments

Dear Mr. Waddell:

Pursuant to the July 28, 1997 Hearing Officer's Notice of Proposed Schedule, enclosed for filing in the above case are the original and thirteen copies of the Joint Reply Comments of United Telephone-Southeast, Inc. and Sprint Communications Company L.P.

Please contact me or Laura Sykora (919/554-7323) if you have any questions regarding this filing.

Sincerely yours,


James B. Wright

JBW:er

CC: Laura Sykora (with enclosure)
Steve Parrott (with enclosure)
Bob Wallace (with enclosure)
Carolyn Roddy (with enclosure)
Counsel of Record (with enclosure)

#12061

CERTIFICATE

Universal Service (Docket No. 97-00888)

The undersigned hereby certifies that a copy of the Joint Reply Comments of United Telephone-Southeast, Inc. and Sprint Communications Company L.P. filed in the above docket is being provided to each of the following participants, by placing a copy of the same in the United States Mail postage prepaid and addressed as follows:

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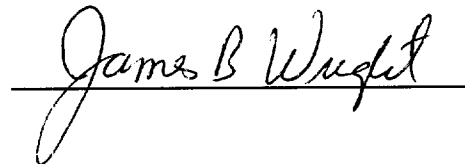
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This 2nd day of September, 1997


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UNIVERSAL SERVICE
DOCKET NO. 97-00888
REPLY COMMENTS OF SPRINT COMMUNICATIONS COMPANY L.P.
AND
UNITED TELEPHONE-SOUTHEAST, INC. (SPRINT)
PRELIMINARY ISSUES

A. Cost Model Issue:

As stated above, the TRA must notify the FCC by August 15, 1997, if the TRA decides to develop its own cost study. At the August 5, 1997 TRA Conference, the Directors will consider whether Tennessee should develop its own cost study for Universal Service, or work with the FCC to develop a model suitable for Tennessee. The TRA Staff expects to recommend working with the FCC on a forward looking cost model suitable to Tennessee.

B. Proposed Phase 1 & Phase 2 of Issues:

It has been proposed that Universal Service be processed in two phases. Phase 1 would involve all issues not requiring cost and revenue comparisons. Phase 2 would involve the computation of Universal Service costs and determination of explicit and implicit subsidies. Under this two phase approach, if Access Charge was consolidated with Universal Service, Access Charge Reform would be considered during Phase 2. Parties are welcome to comment on the proposed separation of issues.

C. Proposed Schedule

Attached to this request is a proposed schedule for Phase 1 and Phase 2 to be utilized in this docket. Parties may comment on the proposed separation of issues.

RESPONSE TO COMMENTS:

As noted by BellSouth, Time Warner, and others, the TRA's initial schedule does not allow the cost phase of this proceeding to be completed in time to meet the FCC's deadline of February 6, 1997 for states to file their cost model. The schedule proposed by AT&T targets Discovery Requests Due by September 15, 1997, which is not feasible; provides a very narrow window between the TRA's decision (January 27, 1998) and the filing date (February 6, 1998) which does not allow for the ten- day period specified by the Uniform Administrative Procedures Act (U.A.P.A.) for reconsideration following the issuance of an Order; and appears quite cumbersome and confusing with its overlaying tracks.

The request by the Coalition of Small LECs that the schedule be extended could be accomplished if the cost model phase is accelerated to meet the February 6, 1998 FCC deadline and the non-cost phase is extended. Sprint believes that its proposed schedule submitted with comments on August 21, 1997 meets the purposes of those parties commenting on the February 6, 1998 federal deadline.

D. Consolidation:

Some potential participants, in their initial comments, suggested that the Universal Service Docket No. 97-00888 should be consolidated with the Access Charge Reform Docket No. 97-00889. Please comment on whether consolidation should be considered.

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth that access charge reductions as part of Access Charge Reform, Docket No. 97-00889, must be handled concurrently with universal service funding. Sprint also supports AT&T's suggestion that overlapping discovery in the Universal Service and Access Charge Reform Dockets should be avoided. In addition, while Sprint believes the two issues--Universal Service and Access Charge Reform--should be handled in separate proceedings, it would support documentary evidence in one proceeding, upon request, being admitted as evidence in another proceeding without the need to file duplicate information. Upon prior notice to parties in both dockets, witness testimony could be considered as given in both dockets.

E. Regulations Contemplated:

Do the participants in this docket contemplate, that ultimately, the findings of the TRA regarding Universal Service will need to be incorporated in rules and regulations of the TRA?

RESPONSE TO COMMENTS:

No Reply Comments.

F. Non-rural and Rural Carriers:

Pursuant to the FCC Order 97-157, rural carriers will not see changes in Universal Service support before January 1, 2001(Paragraph 204 of the Order). There is a Joint Board being formed at the FCC level to address the issues unique to rural carriers. Therefore, should there be a bifurcation of the non-rural and rural Universal Services issues and leaving the rural Universal Service issues to be considered at a later date? Please comment on this proposal.

RESPONSE TO COMMENTS:

Sprint agrees with AT&T that rural LECs should be included on policy issues.

G. Legal Framework:

Below is a request for comments on the definition of Universal Service. If the parties foresee that additional legal issues need to be resolved, please submit those issues along with your position on those issues with your comments.

ISSUES FOR CONSIDERATION

IV. Definition of Universal Service:

Under Tennessee law, Universal Service is defined in Tenn. Code Ann. § 65-5-207(a). The Telecom Act section 254(c) defines Universal Service.

Under section 254(f), the Act provides a State may adopt regulations "not inconsistent with the Commission's rules to preserve and advance universal service."

A. ISSUE: Is Tennessee's definition under Tenn. Code Ann. § 65-5-207(a), consistent with the Federal Act's definition of Universal Service? If no, is Tennessee's definition preempted by the Federal Act?

RESPONSE TO COMMENTS:

As indicated by Time Warner, "The Federal definition includes certain services which, arguably, do not appear in the State Act"; and for this reason, Sprint maintains that Tennessee's definition under TCA 65-5-207(a) is inconsistent with the Federal Act's definition. Sprint disagrees with MCI that "... it would appear that single line business rates are greater than cost ..." and "... no subsidy is required." By including single connection single party business service, the FCC recognizes the potential for subsidy of these services in high cost areas.

B. ISSUE: Should the TRA recommend to the Tennessee legislature that they adopt the Federal definition of Universal Service?

RESPONSE TO COMMENTS:

Although BellSouth and MCI indicate that the federal and state law definitions of Universal Service are generally consistent and do not need the Tennessee General Assembly to adopt the federal definition, Sprint believes that a state Universal Service mechanism cannot be established inconsistent with the state definition; and therefore, maintains that the TRA should recommend to the Tennessee legislature that they adopt the Federal definition of Universal Service.

C. ISSUE: Whether the Federal or Tennessee definition of Universal Service or some combination of both is followed, what services should be provided?

RESPONSE TO COMMENTS:

No Reply Comments.

D. ISSUE: Should the TRA provide for additional support under a Tennessee mechanism, for services in addition to those set forth by the FCC?

RESPONSE TO COMMENTS:

Sprint disagrees with MCI that no additional services should be added to those set forth by the FCC; specifically, the current discounts to educational institutions and libraries are not included in the FCC services. Sprint believes that if current educational discounts are not included in the services for which explicit support is provided under a Tennessee mechanism, it would be discriminatory toward the incumbent LECs to bear the entire burden of these services. Therefore, if these services are not supported by the State USF, perhaps they should be discontinued in view of the Federal Discount Matrix.

In reference to BellSouth's distinction between primary and non-primary lines, it should be pointed out that neither the federal nor the state Universal Service definitions make reference to "primary and non-primary." The reference is to residential single party service which would assume all residential single party lines and to single connection single party business service which would not require the distinction between primary and non-primary since they would be "single connection."

E. ISSUE: Should the TRA adopt specific procedures for passing upon "exceptional circumstances" as set forth in paragraphs 89-92 of the FCC order?

RESPONSE TO COMMENTS:

No Reply Comments.

F. ISSUE: Are there any telephone companies that will not be able to offer all the elements of Universal Service by the end of 1998? (e.g. toll blocking) If this is a problem, what steps are needed to remedy the situation?

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth in recommending that the TRA should rule that a carrier satisfies its toll limitation obligation if it offers toll blocking.

V. Affordability:

A. Define and consider affordability of rates:

Section 254(b)(1) of the Telecom Act provides that, "quality services should be available at just, reasonable, and affordable rates." The definition of affordability contains both an absolute component "to have enough or the means for", which takes into account an individual's means to subscribe to Universal Service; and a relative component "to bear the cost of without serious detriment", which takes into account whether consumers are spending a disproportionate amount of their income on telephone service.

1. **ISSUE:** Provided that existing rates were set to the "just and reasonable" standard pursuant to Tenn. Code Ann. § 65-5-201, is there an assumption that current rates are set at an affordable level?

RESPONSE TO COMMENTS:

Sprint agrees with MCI regarding the distinction that "just and reasonable" is a concept tied to a rate base rate of return regulatory environment while "affordable" is tied to socioeconomic factors. In accordance with TCA 65-5-209(a), Sprint agrees that rates for price regulated companies were deemed affordable on the date of entry into a Price Regulation Plan. However, TCA 65-5-209(c) specifically states this initial determination of affordability is "subject to further adjustment as made by the Authority pursuant to Section 65-5-207" (this USF proceeding).

Sprint agrees with Time Warner that "...since the rates for residential, basic telephone service have traditionally been artificially depressed, higher rates most probably could meet the 'just and reasonable and affordable' standard." Sprint also agrees with BellSouth that "affordability" is not an absolute concept and that the lower the rate, the greater the amount of universal service support that will be required.

2. **ISSUE:** Does the existence of programs to support low income consumers, further the argument that current rates meet the affordability requirement in Tennessee?

RESPONSE TO COMMENTS:

No Reply Comments.

3. **ISSUE:** Are there other factors that should be considered?

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth that it is important that the actual rate charged for residential basic local exchange service move towards the "affordability" level, which would decrease the amount of State universal service support required.

B. ISSUE: The FCC did not choose to adopt a nationwide rate for Universal Service. Should Tennessee adopt a statewide universal rate?

RESPONSE TO COMMENTS:

Sprint continues to believe that a single statewide affordable rate standard would provide for ease of administration; and to the extent that consumers throughout the state have varying income needs, those needs will be addressed by explicit Lifeline programs.

C. ISSUE: Define explicit subsidy.

PROPOSAL FOR COMMENT: Explicit subsidy is a support that is calculable and identifiable vs. implicit subsidy which generally means there is a support but the exact amount of that support has not been determined. Is there a more appropriate definition?

RESPONSE TO COMMENTS:

Sprint strongly supports the inclusion of "specific and predictable" in the definition of explicit subsidy as AT&T suggests.

D. ISSUE: How may complaints filed on the affordability of intrastate rates be addressed.

PROPOSAL REQUESTED: The FCC identifies several components to be considered when determining affordability of rates, such as subscribership levels, size of local calling area, consumer income level, cost of living, etc. What procedures would be least burdensome on carriers and the TRA, and would provide the information necessary to determine if rates are affordable on an ongoing basis?

RESPONSE TO COMMENTS:

No Reply Comments.

VI. Carriers Eligible for Universal Service Support

A. ISSUE: Define carrier of last resort.

PROPOSAL FOR COMMENT: The Staff defines carrier of last resort as the carrier ultimately responsible for the provision of telephone service including the provision of Universal Service core elements in a given area. Is there a better definition?

RESPONSE TO COMMENTS:

Contrary to the recommendations to broaden the carrier of last resort definition (BellSouth), modify Tennessee Code Annotated (Citizens Communications), or add additional restrictions (MCI), Sprint believes that since a carrier of last resort is an eligible carrier, FCC Order 97-157, Paragraph 132, is sufficient to provide governing a carrier's relinquishment of its eligible carrier designation.

B. ISSUE: Determine if a carrier of last resort designation is necessary.

PROPOSAL FOR COMMENT: The designation of a carrier of last resort for a given region is necessary to ensure that all Tennessee consumers are provided with telecommunication services. If no carrier of last resort is designated there is the potential danger of some consumers not being served. At what point, if any, would carrier of last resort designation become unnecessary?

RESPONSE TO COMMENTS:

Reference Response to A above.

C. ISSUE: What mechanism should be put in place if a carrier proposes to withdraw service.

PROPOSAL FOR COMMENT: It appears that mechanisms need to be developed to address the possibility that a carrier of last resort may desire to withdraw service in one or all regions which it serves. Allowing a carrier of last resort to withdraw needs to be based on specific and predictable criteria. At a minimum, the Staff proposes that no carrier of last resort should be allowed to withdraw service prior to the designation of another carrier to serve as the carrier of last resort. Do you have any suggestions on the criteria that needs to be established in order to allow a carrier to withdraw as carrier of last resort?

RESPONSE TO COMMENTS:

Reference Response to A above.

D. ISSUE: What criteria should be used to designate eligible telecommunication carriers?

PROPOSAL FOR COMMENT: The FCC concluded that the plain language of section 214(e) precludes adoption of additional eligibility criteria beyond those enumerated in that section. Therefore, the FCC adopted without expansion the statutory criteria set out in section 214(e), as the rules governing eligibility. The Staff proposes to use the eligibility criteria of section 214(e) to designate eligible telecommunication carriers. Do you agree with proposal?

RESPONSE TO COMMENTS:

BellSouth proposes that the TRA adopt an additional standard for eligible telecommunications carriers that they must satisfy existing service objectives. Sprint agrees that this additional standard is consistent for price regulated companies as referenced in TCA 65-5-208(a); ". . . These services shall, at a minimum, be provided at the same level of quality as is being provided on the effective date of this act."

E. ISSUE: Should Universal Service support be provided to cellular carriers and resellers.

PROPOSAL FOR COMMENT: The FCC adopted without expansion the statutory criteria set out in section 214(e) as the rules governing eligibility. The FCC interpreted the term "facilities" in section 214(e)(1) to mean any physical components of the telecommunications network that are used in the transmission or routing of the services designated for support under section 254(c)(1). The FCC further concluded that a carrier that offers any of the services designated for Universal Service support, either in whole or in part, over facilities obtained as unbundled network elements pursuant to section 251(c)(3) satisfies the "own facilities" requirement of section 214(e). The staff recommends that the TRA use the criteria set forth by the FCC and to the extent that cellular carriers or resellers meet these criteria, they should be provided Universal Service support. Do you agree with this recommendation?

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth and Time Warner that only the carrier providing the underlying cost should receive Universal Service Fund support. (Reference Sprint's original comments) Sprint disagrees with GTE Mobile regarding the exclusion of cellular carriers from participation in the State USF in that TCA 65-5-207(a) specifies that the TRA shall ". . . formulate policies, promulgate rules and issue orders which require all Telecommunications Service Providers to contribute to the support of Universal Service."

F. ISSUE: What is the appropriate role of cooperatives in this proceeding?

PROPOSAL FOR COMMENT: Section 254(f) states, "Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of Universal Service in that State." It is clear that cooperatives will contribute to and receive support from the Universal Service support fund. Because the cooperatives will be included in the results of this proceeding, the Staff believes that cooperatives should be encouraged to participate fully in the Universal Service docket. Do you agree?

RESPONSE TO COMMENTS:

No Reply Comments.

VII. High Cost Support

A. ISSUE: Should Tennessee perform its own forward looking cost study to determine intrastate Universal Service support? If not, should it work in conjunction with the FCC to determine methodology and inputs and adopt the FCC cost and revenue benchmark calculations? **Please note that comments on this issue are due August 1, 1997. Please see page 2, section A.**

PROPOSAL FOR COMMENT: As stated above, in "Preliminary Matters" the Directors of the TRA will consider the issue of whether Tennessee should develop its own cost study at the Conference scheduled for August 5, 1997. Therefore, if the parties desire to comment further on this issue, they should file those comments by August 1, 1997.

B. ISSUE: If it is determined that Tennessee will do a cost study, what would be the core elements? (i.e. residential, business, usage.).

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth that the TRA should calculate support for single party residence and single line business service, but Sprint would further clarify that inclusion of business in Universal Service should be limited to single connection business lines (FCC Order 97-157, Paragraph 95).

1. What area should be included in each cost study?

RESPONSE TO COMMENTS:

No Reply Comments.

2. The FCC requires deaveraging to the wire center serving area at least, and to areas if feasible. Is this appropriate?

PROPOSAL FOR COMMENT: FCC Order 97-157 sections 54.101 and 54.207 set forth the services designated for support and service areas. Is it appropriate for Tennessee to adopt these services? If not, what services do you believe should receive Universal Service support. Also please comment on how service areas may be defined in Tennessee.

RESPONSE TO COMMENTS:

No Reply Comments.

C. ISSUE: What elements should be included in the revenue benchmark?

PROPOSAL FOR COMMENT: The Staff expects to use the elements that will be included in the national benchmark, (local, discretionary, interstate and intrastate access services, and other revenues used in the cost study). Do you feel these are the appropriate elements to be included in the benchmark?

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth that the USF support should be based on the difference between the cost of providing universal service and the maximum rate allowed by the TRA.

VIII. Support for Low Income Consumers

A. ISSUE: Define a process to address any waiver requests of carriers to the no-disconnect rule.

PROPOSAL FOR COMMENT: The no-disconnect rule would prohibit disconnection of local service for Lifeline customers for non payment of toll charges. Despite the benefits of a no-disconnect rule for Lifeline consumers, the FCC recognized that state utility regulators would have the ability to grant carriers a limited waiver of the requirement under limited special circumstances. The Staff suggests that the TRA adopt the three requirements of the FCC for granting a waiver request. What is your position?

The FCC is raising Lifeline support from \$3.50 to \$5.25. The FCC will match 1/2 of state support up to an additional \$1.75 which will provide for a maximum of \$7.00 federal support.

RESPONSE TO COMMENTS:

No Reply Comments.

B. ISSUE: Determine if the current level of state discounts for Lifeline should be changed.

PROPOSAL REQUESTED: Currently, Tennessee provides \$3.50 per month support for Lifeline. At the state's current level of funding (\$3.50/month) the FCC will provide an additional \$7.00 in federal support for a total of \$10.50 in support. If this level of support is maintained, then procedures may be considered to prevent Lifeline customers from receiving 100% free service. For instances, should a minimum amount be charged to the Lifeline customer? Please comment.

Tennessee has the option of reducing its monthly support amount, which in turn would reduce the federal funding. Any reduction in Tennessee's current funding of \$3.50 will result in a Federal reduction of one half of the amount of the Tennessee reduction, down to the minimum Federal funding amount of \$5.25. For example, Tennessee funds \$1.00, Federal minimum funding is \$5.25. Federal matching of 1/2 of state is \$.50. This would provide total support of \$6.75. Please comment.

RESPONSE TO COMMENTS:

No Reply Comments.

C. ISSUE: Develop funding mechanisms.

PROPOSAL REQUESTED: The TRA requests comments from the parties on how funding for this support can be accomplished.

RESPONSE TO COMMENTS:

TCA 65-5-207(a) indicates that all telecommunications service providers will contribute to the support of universal service. Sprint believes this contribution should be based on intrastate retail "end-user" revenues to provide a match between the infrastructure being subsidized and the source of the subsidy. Sprint disagrees with AT&T that these contributions should be net of payments to other carriers. When these arguments were made at the federal level, the FCC ruled that the "double payment problem" is eliminated when contributions are based on "end-user" revenues (FCC Order 97-157, Paragraph 843).

X. Schools and Libraries

A. ISSUE: Determine if additional support for eligible schools and libraries is needed.

PROPOSAL REQUESTED: During the July 15, 1997, TRA agenda, the Directors adopted the FCC matrix for federal funding to schools and libraries. In addition to this federal discount, the state currently has ISDN, School Parent Telecommunications Service, in Classroom Computer Access Service and Distance Learning Video Transport Service discounts available to schools and libraries.

1. Do any parties believe that more discounts to schools and libraries should be offered in addition to the federal discount matrix and the four state discounted services?
2. Should additional discounts to Internet services be provided by the state?

RESPONSE TO COMMENTS:

No Reply Comments.

B. ISSUE: Develop funding mechanisms if needed.

PROPOSAL REQUESTED: Costs studies need to be submitted on the current state discounted services to determine if, in fact, schools and libraries are receiving a subsidy. Additionally, any other state discounted services will need studies to determine subsidies. Once the subsidy amounts are known a fund must be established to support the discounts. The TRA requests comments from the parties on how funding for this support can be accomplished. Please be specific and provide your view on whether support for schools and libraries should come from the same source of revenues used to support other Universal Service items.

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth and Time Warner that cost studies on state discounted services are unnecessary.

C. ISSUE: Address as necessary any school and library petitions regarding pre-discount price.

PROPOSAL REQUESTED: The FCC noted that if schools and libraries believe the lowest corresponding price offered to them is unfairly high or low, they may seek recourse from the state. What procedures do you believe could be put in place to ensure that schools and libraries are offered at the lowest possible price. Also, if a school or library petitions the TRA regarding the price, what criteria should be used to determine if in fact the price is unreasonably high?

XI. Support For Health Care Providers

A. ISSUE: Determine if additional intrastate support for eligible health care providers is needed.

PROPOSAL REQUESTED: The TRA requests comments from the parties on whether additional health care discounts are needed.

RESPONSE TO COMMENTS:

No Reply Comments.

B. ISSUE: Develop needed funding mechanisms.

PROPOSAL REQUESTED: The TRA requests comments from the parties on how funding for this support can be accomplished.

RESPONSE TO COMMENTS:

No Reply Comments.

XIII. Administration of Support Mechanisms

A. ISSUE: Determine which companies qualify as non-rural carriers and are subject to 1/1/99 Universal Service support.

PROPOSAL FOR COMMENT: BellSouth and United Telephone Southeast are the only companies which the Staff has identified as non-rural carriers. Are there others?

RESPONSE TO COMMENTS:

No Reply Comments.

B. ISSUE: Determine method for transition from current support to new support.

PROPOSAL REQUESTED: The new support mechanisms approved will be the determining factor of the impact on transition from old support to the new system. Since the fund administrator is responsible for maintaining the new fund, it may be appropriate to allow the administrator to design a system for the transition. Please provide your opinion on a transition process.

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth that funding should be revenue neutral. TCA 65-5-207(c)(5) requires that the financial effect on each universal service provider caused by the creation or a modification of the universal service support mechanism be determined, "... and rebalance the effect through a one-time adjustment of equal amount to the rates of that provider" [TCA 65-5-207(c)(5)].

C. ISSUE: Determine the structure of the intrastate Universal Service fund.

1. How will it be created?

RESPONSE TO COMMENTS:

No Reply Comments.

2. Will it be consistent with or not consistent with the Federal fund?

RESPONSE TO COMMENTS:

No Reply Comments.

3. Who will contribute to it?

RESPONSE TO COMMENTS:

No Reply Comments.

4. How often will contributions be made?

RESPONSE TO COMMENTS:

Sprint does not object to contributions being made on a quarterly basis (BellSouth).

5. What basis should be used for contributions?

RESPONSE TO COMMENTS:

TCA 65-5-207(a) indicates that all telecommunications service providers will contribute to the support of universal service. Sprint believes this contribution should be based on intrastate retail "end-user" revenues to provide a match between the infrastructure being subsidized and the source of the subsidy. Sprint disagrees with MCI that these contributions should be net of payments to other carriers. When these arguments were made at the federal level, the FCC ruled that the "double payment problem" is eliminated when contributions are based on "end-user" revenues (FCC Order 97-157, Paragraph 843).

6. Who is eligible to receive support?

RESPONSE TO COMMENTS:

No Reply Comments.

7. How funds will be distributed?

RESPONSE TO COMMENTS:

No Reply Comments.

8. How should the TRA ensure that the fund is non-discriminatory and competitively neutral?

PROPOSAL REQUESTED: The TRA requests comments from the parties on these specific issues regarding the structure of the intrastate Universal Service Fund.

RESPONSE TO COMMENTS:

No Reply Comments.

D. ISSUE: Determine notification requirements companies' certification of rural carrier status.

PROPOSAL REQUESTED: A carrier must notify the FCC and its' state Commission, that for purposes of Universal Service support determinations, it meets the definition of a rural carrier. Carriers should make such a notification each year prior to the beginning of the Universal Service Fund payout period for that year. What procedures can be put in place to ensure that rural carriers satisfy this requirement?

RESPONSE TO COMMENTS:

No Reply Comments.

E. ISSUE: Determine need for public interest payphones and develop funding mechanisms, if required.

PROPOSAL REQUESTED: Please provide comments on what criteria you believe is necessary for determining the need for a public interest payphone. Funding for public interest payphones may come from various sources such as the Universal Service Fund or an additive or charge on payphone access lines. What type of funding mechanisms do you believe would be appropriate for funding of public interest payphones?

RESPONSE TO COMMENTS:

No Reply Comments.

F. ISSUE: Determine if the TRA should administer the intrastate Universal Service Fund.

PROPOSAL REQUESTED: Please provide comments.

RESPONSE TO COMMENTS:

Sprint agrees with AT&T that TCA 65-5-207 holds the TRA responsible for the administration of the universal service support mechanism; however, there is no language that would preclude the TRA from delegating this responsibility to a neutral third party which is independent of any affected provider's interests.

G. ISSUE: Appoint intrastate Universal Service Fund Administrator.

PROPOSAL REQUESTED: What criteria should be established to determine qualifications as fund administrator?

RESPONSE TO COMMENTS:

No Reply Comments.

H. ISSUE: Determine if contributions to the Universal Service fund may be recovered by contributors, (i.e. passed on to end users).

PROPOSAL REQUESTED: The FCC adopted a contribution assessment methodology that is competitive neutral and easy to administer. Contributions will be assessed against end users telecommunication revenues, revenues derived from end users for telecommunications, and telecommunications services, including SLCs. Please provide comments.

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth, Citizens Communications, AT&T, and Time Warner that an end-user surcharge is appropriate. Sprint does not agree that contributions to the Universal Service Fund represent a cost of doing business and should be recovered in prices they charge their customer as MCI suggests, since this would result in implicit subsidies in rates and, therefore, would be in violation of T.A. 96 .

XIV. Other

A. ISSUE: Would the use of task forces, advisory committees, technical conferences and settlement conferences in this proceeding be helpful?

PROPOSAL REQUESTED: Some parties have commented that these groups would be helpful. If you believe these groups would be beneficial, explain where these groups or meetings make sense.

RESPONSE TO COMMENTS:

No Reply Comments.

B. ISSUE: Determine intrastate funding requirements for Tennessee Relay Center (TRC).

PROPOSAL REQUESTED: Currently, the intrastate costs of operating the TRC are divided between intraLATA and interLATA for the state. The intraLATA portion is funded by all LECs based on their proportionate share of intraLATA minutes of use and the interLATA portion is funded by all interexchange carriers based on their proportionate share of interLATA minutes of use. Options for funding the TRC could include the current system, through the Universal Service Fund, or establishment of a separate fund. Which option do you believe would be best? The current fund is administered by BellSouth. Do you believe BellSouth should continue as administrator of the TRC fund?

RESPONSE TO COMMENTS:

Sprint agrees with Citizens Communications and BellSouth that the Telecommunications Relay Center could be included as a portion of the Universal Service Fund.

C. ISSUE: Determine effect of BST stay on Universal Service.

PROPOSAL REQUESTED: If the court remands the case back to the TRA, then the price regulation audit will have to be re-done to conform with the courts ruling, which in turn would effect implicit subsidy calculations. If the court supports the TRA's decision, then revenues of certain services will be lowered, thus reducing any implicit subsidies that may exist. Please provide your comments.

RESPONSE TO COMMENTS:

No Reply Comments.

D. ISSUE: Determine any needed changes to TRA rules, state laws, etc.

PROPOSAL FOR COMMENT: Provide any necessary changes to TRA rules and/or State Laws to make them conform with the Federal Law.

RESPONSE TO COMMENTS:

No Reply Comments.

E. ISSUE: Determine date that Universal Service will be re-addressed.

PROPOSAL REQUESTED: The FCC is convening a Federal-State Joint Board to review the definition of Universal Service on or before January 1,2001. The Staff would recommend that an intrastate Universal Service proceeding be held immediately following the Joint Board's decision. Please provide your comments.

RESPONSE TO COMMENTS:

No Reply Comments.

F. ISSUE: Determine and implement service quality standards.

PROPOSAL REQUESTED: The FCC determined that states may impose service quality standards that are competitively neutral and further the goals of Universal Service. Consistent with these requirements, what service quality standards do you feel are necessary?

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth and Time Warner that current service standards should be adopted for Universal Service.

G. ISSUE: Are embedded cost studies appropriate to determine implicit subsidies?

PROPOSAL FOR COMMENT: Implicit subsidies are the support that currently exists for universal service elements. This current support is determined based on embedded costs, therefore, the Staff believes embedded costs are appropriate to determine implicit subsidies. Do you agree?

RESPONSE TO COMMENTS:

Sprint disagrees with BellSouth that current universal service support is based on embedded cost. As stated by AT&T and MCI, economic costs (TELRIC) are appropriate in this proceeding; however, the appropriate timing for economic cost studies is in rate design proceedings regarding services not included in the definition of universal service to ensure that prices are greater than TELRIC.

H. ISSUE: Determine method to calculate implicit subsidies (i.e. by element, group or category).

PROPOSAL FOR COMMENT: The Staff believes that implicit subsidies should be calculated in the most efficient and least burdensome manner. To facilitate this, the Staff prefers that implicit subsidies be calculated by service groups or categories. Please provide your comments.

RESPONSE TO COMMENTS:

Sprint agrees with BellSouth that the total implicit subsidy equals the cost to provide service minus the rate charged for the service without the need to consider specific services, groups of services, categories, etc. Sprint does not agree with Citizens Communications that embedded cost studies are mandatory for determining implicit subsidies. To be most effective and least burdensome means to introduce cost studies with the rate design proceeding rather than evaluating all services provided by the ILEC.

I. ISSUE: Determine effect of contracts between LECs (i.e. EAS, toll, private line, etc.) on subsidies.

PROPOSAL REQUESTED: Please provide comments.

RESPONSE TO COMMENTS:

No Reply Comments.